

Statistics of Income (SOI) Division U.S. Internal Revenue Service



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Workshop and Data Linkages to Improve Health Outcomes

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Overview of the Statistics of Income Division

- IRS's \$40 million national statistical program
- About 450 employees nationwide
- Primary customers are Treasury and the Congressional Joint Committee on Taxation
- Also, many FedStat customers, such as BEA and Census

What Data Do We Have?

- Information from a variety of tax and info. returns
 - Individual
 - Corporate
 - Partnership
 - Estate & gift
 - Tax Exempt (Nonprofit) Entities
- All data on returns filed are not transcribed
- SOI data are generally pre-audit samples

Two Viewpoints on IRS/SOI

1. A cooperative, collaborative, and efficient producer and user of important data based on administrative records
2. "Tax collectors" in disguise as survey statisticians

Three Opportunities for Data Linkages

1. Linkages involving solely IRS tax returns and information documents
2. Linkages of tax data to IRS surveyed records
3. Provision of microdata to other individuals and survey research organizations

1. Examples of linkages involving tax returns

- Individual returns linked to financial and employer records (1099s and W-2s)
- Partnerships linked to partners
- Small business corporations linked to shareholders
- Estates linked to beneficiaries
- Consolidate corporations linked together
- Panel files (of many types)

What do these linked files have?

- High quality linking variables
- Overlapping samples or at least one population file
- Aligned accounting periods (e.g., identical or consecutive)

What have we learned?

- Matched files can significantly benefit analytical purposes, but
- Linking files is never as easy as it would appear --
 - Data quality is never optimal
 - Linking variables are never perfect
 - Resolving discrepancies can be labor intensive
 - Linked files may not answer all the questions

2. Linkages of tax data to survey records

- We survey some very large corporations for --
 - Incomplete/missing data
 - Early access due to filing extensions
- We don't do other matches to survey records
 - We're the "tax guys," so no one provides us with identifiable microdata

3. Provision of microdata to others -- Who can get access for what purpose?

- Tax Administration: Taxpayer account processing, audit, compliance, research functions
- Tax Analysis: Treasury's Office of Tax Analysis, Joint Committee on Taxation, CBO, GAO
- Statistical Use: Bureau of Economic Analysis, Census, Department of Agriculture (NASS), CBO

Tension From Conflicting Mandates

- Statistical agencies such as Census have a mandate to use existing data systems to maximum extent possible (such as administrative records)
- IRS has mandate to provide Federal Tax Information only for authorized purposes and to minimum extent necessary

Constraints on Using IRS Data

- Use only for authorized purposes (in statute and regulations)
- Disclose only minimum confidential Federal Tax Information (FTI) necessary
- Penalties for unauthorized disclosure or inspection
- Publicly released data must be anonymous

Authorization Process for Access to Confidential Tax Data

- Statistical recipients must be named in the statute: 6103(j) of Title 26
- Congress must enact legislation to add users
- Statute authorizes access purpose, may stipulate regulations
- Regs detail items and may further restrict uses
- Policy agreements may supplement statute and regulations

In Summary...

- Access to tax data is very restricted
- Some possibilities include -
 - Working as a contractor for tax administration purposes
 - Working at an Agency with current access
 - Accessing limited business tax data via Census' CES

To find out more, contact --

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